

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting
held on
Thursday, September 26, 2013
at 1:00 p.m.

at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Frank Farricker, Chairman of the Board; Gale Mattison, Vice Chairman of the Board; Robert Morgan; Robert Dakers; Natasha Pierre; James Farrell; Margaret Morton; and Patrick Birney.

Staff Members Present: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Lana Glovach; Michael Hunter; Paul Granato; and Helen Duffy.

Other: Mr. Lou Roberts, Ernst & Young, LLP, also attended.

Call to Order: Chairman Farricker called the meeting to order at 1:00 p.m.

I. Approval of Minutes:

On motion made by Ms. Morton, seconded by Mr. Morgan, and unanimously approved, it was:

Resolved, that the Board hereby approves the June 27, 2013 Board meeting minutes.

II. Audit Committee Report:

Mr. Morgan reported that the Audit Committee met on September 17, 2013 to review the audit report conducted by the Lottery's audit firm, Ernst & Young, LLP ("EY"). Financial records and Lottery internal controls were examined. No management issues were reported, and Mr. Morgan thanked the Lottery, especially the Finance Department and Administration team, for their cooperation during the audit. He then asked Mr. Lou Roberts, EY, to report on his findings.

Mr. Roberts stated that no adjustments were needed or issues identified during the audit. As a result, the Lottery received a clean opinion from EY. Mr. Roberts went on to thank Lottery staff for their cooperation. Mr. Roberts departed the meeting at 1:45 p.m.

Mr. Morgan noted that the Committee also reviewed the Scientific Games International contract in relation to Keno and this topic would be discussed later in the meeting.

III. Executive Report:

President's Report:

Ms. Noble thanked Board members for attending today's meeting. She reviewed the meeting agenda and updated the Board on various topics through a PowerPoint presentation. Highlights from her report follow:

- Overall, the Lottery is in excellent shape, and FY14 sales through this week exceeded last year's by \$17 million, or 2.5% over budget.
- CT and the other New England lotteries will present the Lucky for Life game as a national concept for consideration by all lotteries at next week's NASPL conference. The present regional game, as far as we know, is the only draw game nationally to offer two for life prizes.
- The Mega Millions game matrix will change on October 19, 2013. Changes will also be made to the Powerball game in 2014. Both game changes will be discussed further in today's Executive Session.
- The Lottery launched its social media program and is now on Facebook and Twitter. This has been well received by players.
- The NY Giants \$5 instant ticket was launched in August, with a media tour featuring Otis Anderson, former NY Giants player. The Giants are a great brand and the partnership with them is an excellent opportunity.
- Over the past eighteen months, our Corporate Social Responsibility Program has significantly expanded. Components of the program include: responsible gaming; supplier diversity; pro-business programs; and green initiatives. In 1998, the CT Lottery was among the first lotteries to partner with problem gambling service providers to implement responsible play efforts. For the last two years, the Lottery has received national awards for its holiday advertising programs regarding responsible gaming. While responsible gaming is interwoven throughout the year, efforts are regularly focused now during the back-to-school months, over the December holidays, and during Gambling Awareness Week (now month) in March. The Lottery has launched a new corporate responsibility section on our website and started a new corporate responsibility e-newsletter as part of the program.
- Ms. Noble will be a guest speaker at the Greater New England Minority Supplier Development Council's ("GNEMSDC") Advanced Leadership program, and the Lottery also recently participated in the GNEMSDC's trade expo on September 24th and 25th in Hartford. Lottery staff will also attend the CT Council on Problem Gambling's Annual Conference in October in New Haven.
- The Marketing Services RFP process has been completed and the Lottery has selected Fuseideas, LLC to provide marketing and advertising services. Bauzá & Associates has also been selected to provide multi-cultural advertising services.
- The Lottery is currently out to bid for legal services and is preparing to go to bid for its TV drawing services.
- Mohegan Sun Casino is a CT Lottery retailer. A High Tier Claim Center is planned at this location soon. The Lottery has also had discussions with Bradley Airport about potentially becoming a lottery retailer.

Sales Performance Report:

Using sales charts, Ms. Patterson provided an overview of Lottery revenues and sales trends as of August 31, 2013. Her report follows:

- The Lottery is pleased to report that last year's overall sales reached \$1.122 billion. \$312 million was transferred to the state's General Fund and retailers received \$63 million in commissions. \$699 million was also awarded in prizes to players.
- As of August 31, 2013, total game sales reached \$186 million, or 2.5% ahead of budget.
- Sales of CT only games were \$159 million, or 3.1% ahead of budget.
- First and second month FY14 instant ticket sales reached \$107.6 million. New instant tickets include Win for Life, Jewel 7s, 10x Cash, 5x the Money and Bonus Ball Bingo.

- Play3 and Play4 combined sales are doing well, at \$41.4 million.
- Lotto! sales remain steady and the jackpot continues to grow.
- Cash5 sales reached \$5.5 million for the two months of this fiscal year.
- Super Draw 7 sales did not meet expectations due in part to the abbreviated timeframe for sales. Sales of the Super Draw 8, which launches on September 29, 2013, will revert to the original 92 days. The drawing will take place on January 1, 2014.
- Sales of Powerball and Mega Millions combined were \$23 million. Powerball sales reached \$19.5 million and Mega Millions reached \$3.5 million.
- The New England Lucky for Life game, which began in March 2011, has changed and was re-launched on September 17, 2013. The new game features two “For Life” prizes at the top prize and 2nd prize levels. The top prize is up to \$1,000 a day for life, while the 2nd prize is \$25,000 a year for life.
- The Lottery’s social media program is off to a good start with 1,200 Facebook fans and 500 Twitter followers.
- Lottery staff visited “The Lucky 23,” a group of winners who work at Electric Boat in Groton, to present them a Powerball prize of \$1 million.
- The Lottery currently has 2,840 retailers in its network. Ms. Patterson showcased new plan-ograms and ticket holders. Lottery sales reps are diligently working to advise retailers of best ticket placement to help support their sales. Re-districting of the Lottery’s sales rep base also took place. The Lottery’s IT department played a central role in developing a website recruitment program as well as a visual tracking system to support sales efforts. The Lottery continues to work to bolster sales and utilize our sales reps expertise through new technology and training.

This concluded the Executive Report.

IV. Keno Update:

Chairman Farricker provided the following report regarding Keno:

In June 2013, state legislation authorized Keno as something the Corporation was allowed to pursue. At the June 27th Board meeting, there was a brief conversation about Keno. Since that point, Chairman Farricker reported that Lottery management has been working to put the building blocks together in order to know which direction to take to execute Keno in Connecticut. We are not there just yet.

The Keno legislation requires an agreement between the tribes and the Office of Policy and Management (“OPM”). The document envisioned by OPM is currently in progress and is not anticipated to have any impact on the tribal compacts. The Chairman reported that meetings have taken place in the past months with the Connecticut tribes, and he envisions no impact on the compacts.

The Chairman further reported that the tribes are taking no position on whether Keno is a Lottery or casino game. The tribes have no objections to CLC running the game. That responsibility rests solely with OPM. The agreement is not ours to conclude. The Chairman reported monitoring the progress with OPM and stated he is optimistic it will be concluded shortly.

There have been reports in the media regarding the number of retailer outlets but, as of today, there are no firm discussions or conclusions about that topic. It is an evolving and ongoing process

regarding Keno. This includes agreements regarding the purchasing of equipment from Scientific Games. The Chairman stated the Lottery will work with the Department of Consumer Protection to ensure the rules regarding Keno are in line.

The Chairman concluded his remarks by stating we are very well along in terms of setting the groundwork and at some point we will discuss how to move ahead. We are moving forward diligently and at due speed. Chairman Farricker stated we will make no decisions that put the State at risk, and we will make sure that the necessary legal requirements are met.

The Chairman's report on Keno concluded without further comment or questions.

V. Committee Reports – Continued:

Personnel:

Mr. Mattison reported that the Personnel Committee met today to review the Lottery's Affirmative Action Plan and Diversity Program.

Legislative & Games:

Ms. Morton reported that the Legislative & Games Committee met on September 17th to discuss Keno and rule changes to the Powerball and Mega Millions games. She stated that further discussion on the rule changes would take place in today's Executive Session.

Finance:

Mr. Birney applauded Lottery management for the revised FY14 draft budget, including a possible late spring launch of Keno. Management also shared a tentative launch timeline that could be implemented as a result of an executed tribal agreement. It was decided not to make any recommendation to adopt the proposed budget, but the Committee stands ready to meet at a moment's notice if the time comes. There is no recommendation for today.

VI. Audit:

Mr. Morgan reported that at the September 17th Audit Committee meeting, marketing, legal, advertising and research contracts were reviewed. In addition, an extension of the online gaming system contract was discussed and there is a proposed resolution.

Chairman Farricker asked to defer the resolution to later in the meeting.

VII. Executive Session:

At 1:40 p.m., Chairman Farricker called for a motion to enter into Executive Session. On motion made by Ms. Morton, seconded by Mr. Mattison, and unanimously approved, the Board moved into Executive Session to discuss:

- Draft Powerball and Draft Mega Millions Game Rules.
- Attorney/Client Communications Re:
 - Pending Claims and Litigation
 - Lucky for Life Legal Agreement

Ms. Noble, Ms. Patterson, Ms. Turner, Ms. Glovach, Mr. Hunter and Mr. Granato were invited to join the full portion of Executive Session.

The Board reconvened in regular session at 2:05 p.m. Chairman Farricker stated that no votes or actions took place during Executive Session. Ms. Morton left the meeting at this time to attend other business.

VIII. Old Business:

None.

IX. New Business:

The following resolutions were made:

On motion made by Mr. Mattison, seconded by Mr. Farrell, and unanimously approved, it was:

Resolved, that after due consideration, and based upon the recommendation of the Legislative and Games Committee, the Board of Directors approves the Official Powerball Game Rules to be effective immediately unless otherwise stated therein, subject to the Department of Consumer Protection's approval and the required newspaper publication of a notice of rules adoption.

On motion made by Mr. Mattison, seconded by Ms. Pierre, and unanimously approved, it was:

Resolved, that after due consideration, and based upon the recommendation of the Legislative and Games Committee, the Board of Directors approves the Official Mega Millions Game Rules to be effective immediately unless otherwise stated therein, subject to the Department of Consumer Protection's approval and the required newspaper publication of a notice of rules adoption.

On motion made by Mr. Mattison, seconded by Ms. Pierre, and unanimously approved, it was:

Resolved, that after due consideration, and based upon the recommendation of the Legislative and Games Committee, the Board of Directors authorizes the President of the Corporation to execute the Second Amendment to Lucky for Life Regional Game Agreement on behalf of the Connecticut Lottery Corporation.

On motion made by Mr. Morgan, seconded by Mr. Mattison, and:

Recognizing that approval of Keno game rules rests with the Corporation's Board of Directors and the Department of Consumer Protection, and after due consideration and based upon the recommendation of the Audit Committee, it was hereby:

Resolved, that the Board authorizes an extension of the online gaming system contract for a minimum of seven (7) years from the date of commencement of Keno sales and operations and authorizes the President, on the Corporation's behalf and for its benefit, to execute an extension of that contract in accordance with its terms, subject to the occurrence of each of the following events:

- I. Receipt by the Corporation, including its Board of Directors, of signed agreements, as required by Section 12-806(b)(4) of the Connecticut General Statutes, between the Secretary of the Office of Policy and Management, on behalf of the State of Connecticut, and the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut; and

- II. Passage of an amended budget for FY14 authorizing expenditures for the implementation of Keno, including but not limited to expenditures to Scientific Games for capital investments, based on the addition of up to 600 new retailers and the deployment of Keno within the existing retailer base.

Mr. Birney abstained from the vote, and all other present Board members voted in the affirmative.

X. Next Scheduled Board Meeting Date:

The next Board of Directors' meeting will be held on Thursday, November 21, 2013 at 1:00 p.m.

XI. Adjournment:

On motion made by Mr. Birney, seconded by Mr. Mattison, and unanimously approved, the meeting was adjourned at 2:15 p.m.

Respectfully submitted,

Chelsea Turner
Corporation Secretary/Connecticut Lottery Corp.

By: Helen Duffy
Secretary to Anne M. Noble
President & CEO/Connecticut Lottery Corp.